

RSC Member Op/Eds and Media Events:

Congressman Gresham Barrett wrote that Congress needs to list the ban on offshore drilling in an op/ed that ran in the Greenville News in South Carolina. "People are hurting all over our country as the national gas price continues to increase, and is now over \$4 a gallon. The increase in gas prices has caused a rise in the price of groceries, transportation and consumer goods, everything that Americans depend on to live their lives... Recently, President Bush and Sen. John McCain both suggested we should allow states the right to permit deep sea exploration for oil and gas by lifting the federal moratorium on offshore drilling, opening up the Outer Continental Shelf (OCS). They share a position I have held for years. The United States is the only developed nation in the world that forbids safe energy production on its OCS. American citizens are calling on Congress to lower gas prices. As members of Congress, it is our responsibility to lead and to respond effectively. I believe there is no good explanation why the federal government would not give our states the right to use the resources they have to help our nation become energy independent. Congress could give states the power to decide whether to explore within 100 miles of their shoreline, and states could set their own restrictions for exploration while also sharing in the revenues. The answer is a comprehensive approach, finding actual short-term and long-term solutions using our resources here at home. We need to access what we have on and beneath our soil to become energy independent and less reliant on foreign countries that now supply our energy. Domestic exploration will release our nation from the continuous burden of high gas prices and bridge us to long-term energy solutions," wrote Barrett.

Communicator of the Week
Rep. Michele Bachmann
discusses the Republican "all of the above" energy plan on CNN

"America is sitting on a treasure trove of energy resources. We want to make sure that all of those resources are brought online so that the American people can get back to paying \$2 per gallon gasoline again... Our problem is not a famine of energy, it's a lack of will in the Democrat controlled Congress to bring these resources online."

Congressman Tim Walberg appeared on Sean Hannity's radio show to discuss his recent Townhall.com op/ed entitled, "Rush, Sean: We Need Your Help to Bring Down Gas Prices." Walberg wrote on Townhall that, "Republicans in the House are working daily to push for more American energy production. We have introduced, fought for and demanded votes on legislation to immediately drill in places like the Gulf of Mexico, ANWR and the Outer Continental Shelf and to increase our refinery capacity.... So you can imagine my frustration when conservative radio host Sean Hannity recently criticized Congressional Republicans for failing to act on energy policy. Mr. Hannity, have you been paying no attention? House Republicans need your help to galvanize the American people behind our legislation to increase American energy production. The American people look at you and Rush Limbaugh, the king of talk radio, as leaders of the conservative movement, and we need you to highlight our efforts. Last week, Rush said, "Frankly, I'm a little tired of hearing Republicans tell us that they can't win. I'm tired of Republicans telling us how many seats they expect to lose in the Senate, how many they expect to lose in the House of Representatives, that this isn't their year. BS. This year has been served up on a silver platter. People vote with their pocketbooks, and Democrats are wrong on the biggest issue since 9/11." Rush is exactly right. Republicans can and should win the upcoming election, but to achieve victory, we need the American people to know that House Republicans are fighting daily for more energy exploration, more refineries and more nuclear energy to move American toward energy independence, while the Democrats stand in the way of American production. As a first-term Congressman, I have a target on my back and will likely face a well-funded, anti-production Democrat this fall. Many of my colleagues are in the same situation. The only way Democrats win this fall is if those who talk with tens of millions of Americans each day fail to share Republican efforts to increase American energy production, and Americans cannot afford the consequences of that silence from the right."

In the News....

No Blank Check for Fannie and Freddie **NATIONAL REVIEW EDITORIAL**

Treasury Secretary Hank Paulson spent Tuesday trying to convince Congress to give him an authority that he says “hopefully will never be used.” Paulson wants the power to buy blocs of stock in Fannie Mae and Freddie Mac, the government-sponsored enterprises (GSEs) that are teetering on the brink of insolvency. We’re not sure if Paulson’s pitch convinced Congress, but the stock market certainly didn’t seem to buy it. Shares of both enterprises fell by more than 26 percent — a bet by investors that the U.S. government will indeed take a large position in Fannie and Freddie, thus diluting the value of existing stakes.

If Congress is determined to grant Paulson the authority to bail out the mortgage giants, it must not be in the form of a blank check. The legislation Treasury has submitted to Congress does not cap the amount of taxpayer money Paulson would be able to invest in Fannie and Freddie stock, nor does it cap the new line of credit Fannie and Freddie would be able to draw upon at Treasury. That should be rectified, for starters. Second, if taxpayers are going to risk billions to save Fannie and Freddie, they should have an equity upside with a chance to profit if Fannie and Freddie recover. The payment of dividends to other shareholders should cease until taxpayers are in the clear. Furthermore, this taxpayer-class of preferred stock should get a significant number of directors on Fannie and Freddie’s boards, giving Paulson the power to replace their management.

Conservatives should insist on these bare-minimum prerequisites for bailing out Fannie and Freddie, and House Republican Study Committee chairman Jeb Hensarling of Texas is working to ensure that they get a chance to do so. Hensarling wrote a letter to Speaker Nancy Pelosi and House Financial Services Committee chairman Barney Frank requesting, on behalf of House conservatives, “the opportunity to offer amendments to modify the proposal before a vote on final passage.” Hensarling has reason to be worried, because Frank and his Senate counterpart, Chris Dodd, have both endorsed the idea of simply attaching the Treasury initiative to the housing bill that passed the Senate last week and bringing it to the floor for a vote. That approach would bypass regular procedures — hearings, amendments, debate — on an initiative that would authorize hundreds of billions of dollars in new spending.

This is to say nothing of the housing bill to which it would be attached. That bill has a few good features. On the plus side, it would create a new regulator for Fannie and Freddie that could put them into receivership if they become insolvent. A federal receivership with an eye toward winding down and breaking up the GSEs might be the best option for taxpayers in the long run.

But the housing bill also has a lot of flaws. Its centerpiece is a gargantuan, unworkable bailout for subprime-mortgage lenders and borrowers that would offload the worst of these loans onto the Federal Housing Administration (i.e. taxpayers). It would also make permanent a temporary increase in the size of the mortgages that Fannie and Freddie are allowed to buy. Congress passed the temporary increase earlier this year to inject liquidity into the jumbo-mortgage market at the height of the credit crunch. Making the increase permanent now would be dangerous folly.

Many jumbo mortgages are considered subprime because they are so large, and the only reason Fannie and Freddie aren’t in worse financial shape than they are is because they were barred from purchasing such loans at the height of the housing boom. In fact, most of their troubles stem from the subprime mortgages they *were* allowed to buy in the form of mortgage-backed securities. *National Review Online*’s Larry Kudlow reports that Fannie and Freddie are holding up to \$1.4 trillion worth of these shaky securities in what he likens to “a high-risk internal hedge fund.” That’s what’s got the markets spooked.

Congress should sever the good GSE-reform provisions from the rest of the housing bill and add them to the Treasury initiative, creating a single package of GSE reforms. Democrats are unlikely to agree to such a plan, because GSE reform is their bargaining chip to get Republicans to vote for the objectionable provisions of the housing bill. Nevertheless, it is the best approach. Barring that, the Treasury initiative should at least be subject to the regular order, rather than folded into the housing bill and passed without debate. The stakes for taxpayers — not to mention the economy — are far too high.

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